Social economy and health care in South Korea: The emergence of new actors

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Social Economy in South Korea: A brief historical survey

The European conception of social economy as a third-sector distinct from both the public one and the capitalist one and governed by specific values and principles among them a non-profit –or limited profit- orientation and a democratic governance are the most distinctive one remains a very unfamiliar conception in South Korea. Yet several forms of cooperatives as well as a dynamic non-profit sector exist in South Korea but they have such different historical backgrounds that they do not share many common values and identities, and therefore have never attempted to join their efforts to promote themselves as a specific economic sector as it happened in the 1970's in France and then in other European countries.

However, South Korean social economy organizations have long had a very limited and residual role due to a specific cultural and political embeddedness of social economy –or third-sector- that I have discussed in detail in a previous article (2002). Briefly, let us say here that the importance of a traditional Confucian culture has created a cultural embeddedness in favouring a set of values very different and even opposite to those upon which is built the social economy, and the succession of authoritarian regimes during some 80 years (1910-1987) has generated a political enmbeddedness of society that affected deeply social economy as it has suffocated civil society and especially any form of independent and grass-roots movements whether under the Japanese colonization (1910-1945) or the dictatorial regimes (1948-1987).

In such a cultural and political context, the Korean social economy has long had either strong state agencies-like features (traditional cooperatives and some associations) or strong for-profits-like features (foundations). Between these two poles, organizations sharing common features with the European model of social economy have long been residual and driven by a concern of charity rather than emancipation or self-help, that is to say mostly organizations of general interest in reference to the classical distinction made by Gui (1991) between mutual benefit societies and general interest societies. It means as well that they were mostly the result of a top-down than a bottom-up process. Confucianism combined with dictatorial regimes have contributed to create an environment enhancing the standing of hierarchy, duty and conformity, and then to discourage bottom-up initiatives but favour top-down processes and a strong State authority, whereas the social economy traditionally relies upon very opposite principles like democracy, individual rights, equality between members, voluntary participation, favours bottom-up processes and flourishes in more heterogeneous contexts and under a certain autonomy from a State control or impulsion. Even the very first experiences of consumer's cooperatives in the 1920's that were inspired by a spirit of economic independence for Korean

people against the Japanese colonizer was a movement founded by intellectuals rather than workers and popular classes like in Europe.

In relation with health and social services, prominent actors from social economy have long been associations and foundations. Some of them, especially foundations, are large structures in terms of turnover and employment. But many have a small size especially the **NPOs** that operate welfare centers involved in care delivering to specific categories of persons (elderly, children, handicapped people). Several studies have shown however that although they are registered under a non-profit legal status, many foundations are actually engaged in profit or tax exemption seeking. On the other hand many social welfare centers are enrolled in public assistance schemes and then fall under the supervision of local governments which provide them the major part of their resources. Both components are therefore respectively close to the for-profit private sector and to the public sector. In both mentioned components, the democratic principle is not stressed out which is not surprising in the case of foundation that are basically based upon a financial capital rather than a membership but more unusual in the case of associations. Another distinctive feature of the Korean non-profit organizations engaged in service provision is to rely upon a relatively limited volunteering. These organizations play an important role in providing services and support to selected categories of recipients but this role remains very residual in the case of most foundations, very institutionalized in the case of social welfare centers and in both cases more related to a principle of charity rather than a principle of emancipation and active individual participation.

The emergence of new actors

Recently, two important landmarks have deeply affected this landscape. The 1987 political democratization has opened the room for a free and independent expression of civil society and given birth in South Korea to what has been called "the decade of civil society" with the emergence of many civic movements including consumers' cooperatives and health cooperatives. It is noticeable that it contributed as well to the move of traditional cooperatives towards more autonomy from the State. Then the 1997-1998 economic crisis has played as a dramatic revelatory throwing millions of Korean into poverty and pointing out the incapacity of the traditional familial solidarity and existing social schemes to provide an efficient answer to the problems generated by the sudden rise of mass unemployment and therefore degenerating rapidly into a social crisis.

Besides these two events, more structural changes deeply transformed as well the Korean society and the status of social economy. Since its dramatic industrial development in the 1960s, the Korean society began to suffer problems related to demographic changes, such as the increase of women's participation in economic activities, ageing population, the rise of nuclear families, and also, the collapse of traditional local communities and solidarity. As a consequence, many tasks formerly carried out by housewives within family had to be organized outside home which led to an expansion of public welfare and a greater consideration for social economy proposals and capacities. However, public authorities didn't always provide enough means and they instead had a growing consideration for social economy, especially social enterprise, as an

alternative to avoid the installation of public scheme and the rise of unconditional public spending.

Very dynamic and flourishing after the democratization of the late 1980s, the civic movements embrace now a large range of socio-economic and political issues such as the preservation of environment, the improvement of social justice, the struggle against corrupt politicians, the building of the welfare system, or the support to small shareholders in big companies. Utilizing information and communication technology, civic movements have broadened the scope of citizen participation and information dissemination, and helped them enhance their visibility, policy influence and support bases. Relying upon a larger membership than the NPOs engaged in the provision of services, they are also more independent from both the state and the private sector which bring them close to social economy, but their action has been focusing on advocacy and their real economic contribution remains very limited which is reflected in the fact that they have a large membership but limited employment. From a strict point of view, although they are not really engaged in an entrepreneurial activity, they could be considered as "enterprises" as they have paid employees, an annual budget and certified accounting.

These different trends had two major consequences with regard to social and welfare policies: (1) **A development of the welfare system** marked by an extension of the social insurance schemes that had remained very limited both in coverage and benefits, the installation of an ambitious scheme of basic national income with a work integration compulsory dimension partly relying upon a contracting out with social economy organizations, and very recently (2008), the introduction of a new specific social insurance to cover long term care of elderly (inspired by the German and Japanese experiences) that could boost the future development of the social economy as well if accompanied by a move towards welfare-mix like in Japan where cooperative and non-profits have been encouraged as elderly care services providers; (2) **A growing interest for social economy organizations** as potential providers of social services for the underprivileged (unemployed, disabled, minorities, etc.) and as potentially efficient partners to be enrolled in the welfare-to-work philosophy emphasized by the South Korean government.

This new socio-political environment allowed and generated the emergence of new social economy organizations with very different features compared to the traditional movements evoked above. They are much less bureaucratic and state-controlled than the traditional agricultural and fishery cooperatives and engaged in very different fields more related to social issues. A first pre-step that announced in a sense the emergence of these new organizations is the launching of two credit cooperatives movements that appeared in the 1960s but gained a legal status in the 1970's: The **Credit Union** (CUs) and the **Community Credit Cooperatives** (CCCs). Engaged like the traditional cooperatives in the banking business, they showed a specific orientation towards stimulating the private savings of urban poor and providing funds to low-income households and small and medium enterprises with a problematic access to the traditional credit system. Because of their different orientation and an inclination towards more participative functioning, I call them transitional cooperatives in reference to both the traditional ones (agricultural and fishery) and the new ones that emerged later (consumers and health). Due to different governance, their recent evolution is opposite: The CCCs have increased their total

employment from 21,000 in 1998 to 31,000 in 2007 whereas the CUs, which have been harshly affected by erratic and fraudulent management that forced some of them to collapse at the momentum of the 1998 crisis, have decreased their total employment from 13,000 in 1998 to around 8,000 in 2006.

The new socio-political environment more opened towards civil society after 1987 and the engagement of the CCCs and CUs paved the way for the emergence of the **Consumers' Cooperatives**- more independent and closer to the European conception of social economy. Thus, unlike the traditional cooperatives, the Consumers' Cooperatives have not been launched by the central state, nor engaged in public policies like the transitional cooperatives, but they are rooted in civil society and for some of them directly emanating from the transitional cooperative forms mentioned above. Therefore they are more independent and participative, and have a specific identity, but remain more residual as well (much less developed than their counterparts in Japan and than in European countries). Compared to traditional cooperatives, they have very few salaried workers and their membership is still composed mainly by regular members with full right of vote. They have invested very specific segments: Organic food distribution and health care. Democracy governance and participation of members is more valued here than in traditional cooperatives and is as well more valuable because of their relatively small size.

The first significant landmark of their emergence is considered to be the pioneer experience of the Shin-ri consumers' cooperative -now disappeared- that was launched at the initiative of Credit Union's members in 1979. Then several other experiences launched in the CUs' wake federated in 1983 as an informal unregistered organization that became a registered non-profit organization in 1987 under the name of **Korea Consumers' Cooperative Federation**. This movement played a decisive role in the enactment of a specific **Consumers' Cooperative Law** in 1998 that is to say very lately compared to the long history of consumer's cooperatives in Europe or even in Japan and explains why the consumers' cooperatives movements can be qualified as a new one in South Korea but is usually considered as a traditional one in Japan. Alternative consumers' cooperative movements with different origins (farmers' trade-unions, feminist movements, environmental movements, universities and schools, etc.) have then been launched and there are now 8 national networks, the federation of health cooperatives is one of them. According to a survey published in June 2007, these 8 national networks of consumers' cooperatives had together 221 cooperative units, some 400,000 members (a 20 per cent increase since 2005) and generated a 330 billions won turnover (+ 23 per cent since 2005).

Recently emerged also **a new type of foundations** engaged in social issues especially alleviation of poverty and promotion of work integration. They have been initiated by private non-profit organizations or leaders of civic movements without a direct connection to the government or business sector. Some of these new foundations –like the Work Together Foundation or the Korean Foundation for Social Investment- have been specifically engaged in the creation of jobs and enterprises launched by and/or for the underprivileged and most of them are more or less devoted to alleviate poverty and favour social inclusion of underprivileged groups. These foundations are central actors of the recent orientation towards the promotion of social enterprise that began in the framework of the 1998 crisis with the involvement of civil

society movements inspired by the ideal of workers cooperatives and was then related and even controlled by the State with the enactment of the 2006 Law for the promotion of social enterprise.

Social economy organizations and healthcare

South Korea's healthcare security system has been set up in the 1960s and progressively extended, especially in the recent years. It has now three main schemes: the National Health Insurance Program (NHIP), the Medical Assistance Program that provides very limited subsidies for medical expenses to the poorest households, and the Long-term Care Insurance Program installed in 2008. The 2000 health care reform integrated fragmented health funds into one national fund. The NHIP covers some 98 per cent of the whole population but still offers limited benefits. As a consequence, the share of out-of-pocket payments is much higher in South Korea (38 per cent) than the OECD average (20 per cent).

The nonprofit sector, either foundations that run big hospitals or smaller associative structures that operate welfare centers, have been for long central actors of the South Korean care delivery system. The first ones tend to provide high quality and expensive health care whereas the second ones address manly certain categories of persons without high resources. However their features bring them closer to classical FPOs for the foundations and to state agencies for the welfare centers than to social economy organizations representing a third sector distinct from both the for-profit and capitalist sector and the public sector.

More interesting are the recent contributions by civic movements on the one hand, by health cooperatives on the other one. The first one played as a progressive force that contributed to the extension and renewal of the welfare system whereas the second one played as an innovative actor that introduced an original approach in local health care delivery system and its management. Those two examples illustrate two functions of social economy organizations: An **advocacy function** to reveal unaddressed needs or social justice issues and incite decision-makers to set up related solutions and a **productive function** to imagine and set up original productive forms based upon specific values, principles and rules such as democratic governance and a nonprofit orientation. What is common in both cases is the leading role of civil society that can be considered as a new feature in South Korea considering the historical and cultural background I evoked above.

Civic movements that burgeoned after the 1987 political democratization played a decisive role in forming an advocacy coalition to enhance the South Korean welfare system and contributed to install a better balance between economic growth and social policies. This role led to the extension of the different social insurance schemes and above all the introduction in 2000 of the National Basic Livelihood Security System (NBLSS) that represented a new conception and a new scope for national solidarity. Among others, the People's Solidarity for Participative Democracy (PSPD), one of the major civic movements in South Korea, played a critical role by deeply influencing the process of policy-making.

Although some like Kwon and Holliday (2007) conclude that "the extensions [of the welfare state] that took place in the late 1990s turn out to have been rather modest", most scholars have stressed this new concern for social welfare. According to Lee (2005), the subject of social

welfare have been brought "to the mainstream political discussion and national policy agenda, as a means to make democracy better able to withstand shocks inherent in market economy, for the first time in Korean history". As a result, the total social welfare expenditure rapidly increased from around 5 per cent in 1996 to more than 8 per cent in 2001. However, what remains typical to Korea compared to Japan and European countries is the share of public spending on health which remains well below the OECD average of 73 per cent.

Although it is a more direct and a growing one, the contribution of health cooperatives still remains quite marginal in absolute and quantitative terms. As explained above, health cooperatives are an emanation of the consumers' cooperatives that gained a legal recognition quite recently in South Korea. Health cooperatives that appeared in the mid 1990s now gather some 15,000 participating households and realize a 90 billions won annual turnover in various fields related to health care like western medicine, oriental medicine, dentist, etc.

This contribution is more significant in qualitative terms. What I mean here is the role of health cooperatives in promoting local development, their launching by civil society (citizens groups, cooperatives, Christian groups, medical workers associations, etc.), their inclination towards a more democratic and participative governance, and their contribution to social inclusion of underprivileged groups including women.

As for local development, it is interesting to note their main implantation outside of the Seoul area in a country that remains extremely centralized. The first health cooperative was launched in 1994 in the provincial area of Anseong at the initiative of Farmer's Association and Association of Christian Students, another one followed in Incheon 2 years later created by a Christian association and a group of medical workers, a third one appeared in 2000 at Ansan under the impulsion by civic movements and a medical research centre. Now the 4 main health cooperatives (Anseong, Daejeon, Ansan and Incheon) realize some 75 per cent of the total output of the whole movement. They gather as well some 75 per cent of the whole membership. The movement expanded to Seoul in 2002 only and has now 12 branches -4 created in 2007 or 2008. All of them have been launched and rely upon the involvement of civil society groups such as consumers' cooperatives, credit union affiliated groups, community and local residents groups, associations advocating citizen's rights to health or serving the disabled, etc.

Health cooperatives have been indeed recognized as an exemplary social enterprise model by the 2006 Law for the Promotion of Social Enterprise. This Law, that was the first of its kind to be enacted in Asia, makes a distinction between different types of social enterprise: Social enterprise for work integration (at least 50 per cent of employees must be disadvantaged persons), social enterprise for social services provision (at least 50 per cent of the recipients must be disadvantaged persons), and a mixed form of both. It is therefore not closely related to healthcare provision but to social services provision and/or work integration of disadvantaged persons.

Considering both their role in putting ahead a more democratic and participative form of management and their engagement towards the participation of women on the one hand, the delivering of low-cost health treatments on the other one, the health cooperatives have an important contribution to social inclusion of disadvantaged people. With regards to their participative orientation, it must be noticed as well that they play a decisive role in terms of democratic governance, a concept that is largely unknown in the South Korean organizations for the reasons explained at the beginning of this paper.

Health cooperatives provide an interesting and uncommon example of a participatory organization where the members finance, utilize and manage the system with the aims to provide health care services to the community at a reduced cost and create social employment in the care service sector.

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